

**CITY OF AVOCA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2015**



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## CITY OF AVOCA

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jennie Maasen	Mayor	January 2016
Fred Miller III	Mayor Pro-Tem/Council Member	January 2016
Steven Kerr	Council Member	January 2018
David McCain	Council Member	January 2018
Roxanne Plymale	Council Member	January 2018
Sandy Petersen	Council Member	January 2016
Clint Fichter	City Manager	Indefinite
Teresa Hoepner	City Clerk	Indefinite
Teresa Hoepner	City Treasurer	Appointed yearly
David Larson	City Attorney	Indefinite

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 21, 2016

### Independent Auditor's Report

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

To the Honorable Mayor and  
Members of the City Council:

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#### Licensed In:

Iowa  
Missouri

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Avoca, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued . . .

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Avoca as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Avoca adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No.68, *Accounting and Financial Reporting for Pensions*. My opinion is not modified with respect to this matter.

Continued . . .





Other Matters

*Supplementary and Other Information*

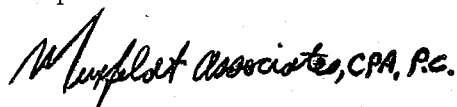
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Avoca's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the years ended June 30, 2014, 2013 and 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pensions Liability and the Schedule of the City Contributions on pages 7 through 12 and 37 through 41, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 7, 2016 on my consideration of the City of Avoca's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Avoca's internal control over financial reporting and compliance.

  
Murphy & Associates, CPA, P.C.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Avoca provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 1%, or approximately \$32,000 from fiscal year 2014 to fiscal year 2015. Charges for services increased approximately \$311,000 and grants, contributions and restricted interest increased approximately \$641,000.

Disbursements of the City's governmental activities decreased 6%, or approximately \$285,000 from fiscal year 2014 to fiscal year 2015. Health and social services and capital projects increased approximately \$10,000 and \$368,000, respectively.

The City's total cash basis net position increased 10%, or approximately \$231,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$203,000 and the cash basis net position of the business type activities increased approximately \$28,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides and analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities? The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$1.7 million to \$1.9 million, approximately. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities			
		Year Ended June 30,	
		2015	2014
Receipts:			
Programs receipts:			
Charges for service	\$	963,423	\$ 651,715
Operating grants, contributions and restricted interest		297,436	189,183
Capital grants, contributions and restricted interest		532,741	-0-
General Receipts:			
Property tax		422,299	419,328
Tax increment financing		921,991	934,605
Local option sales tax		242,624	193,095
Hotel/Motel tax		96,965	66,238
Miscellaneous		-0-	9,363
Unrestricted investment earnings		6,901	14,773
Sales of assets		56,294	110,473
Note proceeds		514,803	1,434,370
Total receipts		<u>4,055,477</u>	<u>4,023,143</u>
Disbursements:			
Public safety		261,361	311,429
Public works		492,924	621,825
Health and social services		10,821	-0-
Culture and recreation		644,946	699,179
Community and economic development		217,576	616,854
General government		323,011	337,357
Debt service		503,015	520,533
Capital projects		<u>1,788,863</u>	<u>1,420,588</u>
Total disbursements		<u>4,242,517</u>	<u>4,527,765</u>
Change in cash basis net position before transfers		(187,040)	(504,622)
Transfers, net		<u>389,995</u>	<u>473,302</u>
Change in cash basis net position		202,955	(31,320)
Cash basis net position beginning of year		<u>1,758,873</u>	<u>1,790,193</u>
Cash basis net position end of year	\$	<u>1,961,828</u>	\$ <u>1,758,873</u>

The City's total receipts for governmental activities increased 1%, or approximately \$32,000. The total cost of all programs and services decreased approximately \$285,000, or 6%, with no new programs added this year. The increase in receipts was primarily the result of grant proceeds for the pedestrian bridge and street project.

The cost of all governmental activities this year was approximately \$4.2 million compared to approximately \$4.5 million last year. However, as shown in the Statement of Activities and Net Position on pages 14 - 15, the amount taxpayers ultimately financed for these activities was approximately \$2.4 million because some of the cost was paid by those directly benefiting from the programs (approximately \$963,000) and by other governments and organizations (approximately \$830,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the city's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$841,000 to approximately \$1.8 million, principally due to receiving grant proceeds and housing reimbursements.

Total business type activities receipts for the fiscal year were approximately \$803,000 compared to approximately \$663,000 last year. This significant increase was due primarily to the receipt of insurance proceeds of \$114,000. The cash balance increased approximately \$28,000 from the prior year. Total disbursements for the fiscal year increased 2.8% to approximately \$385,000.

Changes in Cash Basis Net Position of Business Type Activities			
		Year Ended June 30,	
		2015	2014
Receipts:			
Programs receipts:			
Charges for service:			
Water	\$	385,427	\$ 376,672
Sewer		303,363	282,375
General receipts:			
Other general receipts		114,529	4,192
Total receipts		803,319	663,239
Disbursements:			
Water		187,644	246,750
Sewer		197,306	127,445
Total disbursements		384,950	374,195
Change in cash basis net position before transfers		418,369	289,044
Transfers, net		(389,995)	(473,302)
Change in cash basis net position		28,374	(184,258)
Cash basis net position beginning of year		475,134	659,392
Cash basis net position end of year	\$	503,508	\$ 475,134

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Avoca completed the year, its governmental funds reported a combined fund balance of \$1,961,828, an increase of approximately \$203,000 above last year's total of \$1,758,873. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$95,282 from the prior year to \$520,062. Other financing sources provided the cash increase. Receipts decreased slightly, disbursements decreased significantly. General Fund cash balance accounts for approximately 26 percent of the City's governmental cash.

The Special Revenue Fund, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$49,240, an increase of \$5,000 from the prior year. Receipts of \$1,238,769 and disbursements of \$1,194,529 were used in various construction and refurbishing projects within the urban renewal district.

The Debt Service Fund deficit balance increased to \$20,798 from the prior fiscal year. Principal and interest payments decreased \$17,518 in fiscal year 2015.

The Capital Projects Funds account for the Streetscape, Pedestrian Bridge, Housing and 2014 Street Improvement projects in various areas of the City. Resources of approximately \$1.4 million include proceeds on the sale of real estate, grants, reimbursements, and proceeds of debt. Disbursements of approximately \$1.3 million were used primarily for the 2014 street improvement project and the pedestrian bridge. Cash balances of the major capital projects funds totaled \$526,985 and constitute 27 percent of the City's governmental cash.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise Fund, Water Fund cash balance increased \$17,387 to \$125,332, primarily due to a significant decrease in disbursements.

The Enterprise Fund, Sewer Fund cash balance increased \$10,687 to \$378,176, primarily due to insurance proceeds.

## **BUDGETARY HIGHLIGHTS**

The City adopted its budget on February 25, 2014. There were no budget amendments for fiscal year 2015.

The City's receipts were approximately \$927,000 more than budgeted. The City's disbursements were approximately \$845,000 more than budgeted. The City had sufficient cash balances to absorb these additional costs and increased its net cash position by approximately \$81,000 over the budget.

Actual disbursements exceeded budgeted amounts in the public works, health and social services, capital projects and the business type activities functions.





## DEBT ADMINISTRATION

At June 30, 2015, the City had \$5,312,375 of bonds, notes and other long-term debt outstanding, compared to \$5,153,391 last year, as shown below.

Outstanding Debt at Year-End			
		June 30,	
		2015	2014
General obligation bonds and notes	\$	3,106,980	\$ 2,811,603
Revenue bonds and notes		2,205,395	2,341,788
	\$	<u>5,312,375</u>	<u>\$ 5,153,391</u>

Debt increased as a result of the 2014 street improvement and pedestrian bridge projects. The City issued \$514,803 of new debt, retired principal of \$356,365 and paid interest of \$145,995. The Debt Service Fund ended the fiscal year with a deficit of \$20,798.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$3,106,980 is significantly below its constitutional debt limit of approximately \$4.3 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Avoca's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. One of those factors is completion of various City projects and the availability of federal, state and local grants, debt and tax increment financing.

These factors were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$4.9 million, a decrease of 11% under the fiscal year 2015 budget. Budgeted disbursements are expected to decrease approximately \$640,000. If these amounts are realized, budgeted cash balances are expected to increase by approximately \$300,000 by the close of fiscal year 2016.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contract Teresa Hoepner, City Clerk, 201 N Elm St, Avoca Iowa 51521.



## **BASIC FINANCIAL STATEMENTS**

**CITY OF AVOCA**  
**CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 261,361	\$ 80,011	\$ 62,151	\$ 5,000
Public works	492,924	112,008	165,909	366,196
Health and social services	10,821	-0-	-0-	-0-
Cultures and recreation	644,946	365,165	45,697	161,545
Community and economic development	217,576	40,440	-0-	-0-
General government	323,011	14,534	22,230	-0-
Debt service	503,015	-0-	1,449	-0-
Capital projects	1,788,863	351,265	-0-	-0-
Total governmental activities	4,242,517	963,423	297,436	532,741
Business type activities:				
Water	187,644	385,427	-0-	-0-
Sewer	197,306	303,363	-0-	-0-
Total business type activities	384,950	688,790	-0-	-0-
<b>Total</b>	<b>\$ 4,627,467</b>	<b>\$ 1,652,213</b>	<b>\$ 297,436</b>	<b>\$ 532,741</b>

Property taxes levied for:  
General purposes  
Debt service  
Tax increment financing  
Local option sales tax  
Other tax  
Unrestricted investment earnings  
Miscellaneous  
Sale of assets  
Note proceeds  
Transfers  
Total general receipts

Change in cash basis net position

Cash basis net position, beginning of year

Cash basis net position, end of year

**Cash basis net position**

Nonexpendable  
Cemetery perpetual care  
Expendable:  
Streets  
Urban renewal  
Other purposes  
Unrestricted  
**Total cash basis net position**

See notes to financial statements.

EXHIBIT A

<u>Net (Disbursements), Receipts and Changes in Net Position</u>					
<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	
<u>Activities</u>		<u>Activities</u>			
\$	(114,199)	\$	-0-	\$	(114,199)
	151,189		-0-		151,189
	(10,821)		-0-		(10,821)
	(72,539)		-0-		(72,539)
	(177,136)		-0-		(177,136)
	(286,247)		-0-		(286,247)
	(501,566)		-0-		(501,566)
	<u>(1,437,598)</u>		<u>-0-</u>		<u>(1,437,598)</u>
	(2,448,917)		-0-		(2,448,917)
	-0-		197,783		197,783
	<u>-0-</u>		<u>106,057</u>		<u>106,057</u>
	<u>-0-</u>		<u>303,840</u>		<u>303,840</u>
	346,619		-0-		346,619
	75,680		-0-		75,680
	921,991		-0-		921,991
	242,624		-0-		242,624
	96,965		-0-		96,965
	6,901		-0-		6,901
	-0-		114,529		114,529
	56,294		-0-		56,294
	514,803		-0-		514,803
	389,995		<u>(389,995)</u>		<u>-0-</u>
	<u>2,651,872</u>		<u>(275,466)</u>		<u>2,376,406</u>
	202,955		28,374		231,329
	<u>1,758,873</u>		<u>475,134</u>		<u>2,234,007</u>
\$	<u>1,961,828</u>	\$	<u>503,508</u>	\$	<u>2,465,336</u>
\$	124,614	\$	-0-	\$	124,614
	98,791		-0-		98,791
	49,240		-0-		49,240
	1,716,483		-0-		1,716,483
	<u>(27,300)</u>		<u>503,508</u>		<u>476,208</u>
\$	<u>1,961,828</u>	\$	<u>503,508</u>	\$	<u>2,465,336</u>

**CITY OF AVOCA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

		Special Revenue			
	General	Urban Renewal Tax Increment	Library Trust	Debt Service	
<b>Receipts:</b>					
Property tax	\$ 216,186	\$ -0-	\$ -0-	\$ 75,680	
Tax increment financing	-0-	921,991	-0-	-0-	
Other city tax	3,342	-0-	-0-	-0-	
Licenses and permits	13,065	-0-	-0-	-0-	
Use of money and property	13,619	-0-	7,781	-0-	
Intergovernmental	83,469	100,000	-0-	1,449	
Charges for service	438,110	-0-	-0-	-0-	
Special assessments	1,928	40,440	-0-	-0-	
Miscellaneous	116,006	-0-	4,882	-0-	
Total receipts	<u>885,725</u>	<u>1,062,431</u>	<u>12,663</u>	<u>77,129</u>	
<b>Disbursements:</b>					
Operating:					
Public safety	213,247	-0-	-0-	-0-	
Public works	321,971	124,580	-0-	-0-	
Health and social services	10,821	-0-	-0-	-0-	
Culture and recreation	555,713	-0-	6,480	-0-	
Community and economic development	16,397	188,292	-0-	-0-	
General government	263,557	-0-	-0-	-0-	
Debt service	-0-	-0-	-0-	503,015	
Capital projects	-0-	-0-	-0-	-0-	
Total disbursements	<u>1,381,706</u>	<u>312,872</u>	<u>6,480</u>	<u>503,015</u>	
Excess (deficiency) of receipts over (under) disbursements	(495,981)	749,559	6,183	(425,886)	
<b>Other financing sources (uses):</b>					
Sale of assets	10,022	-0-	-0-	-0-	
Note proceeds	-0-	-0-	-0-	-0-	
Operating transfers in	606,241	176,338	-0-	446,523	
Operating transfers out	(25,000)	(881,657)	(4,342)	(36,959)	
Total other financing sources (uses)	<u>591,263</u>	<u>(705,319)</u>	<u>(4,342)</u>	<u>409,564</u>	
Net change in cash balances	95,282	44,240	1,841	(16,322)	
Cash balances, beginning of year	<u>424,780</u>	<u>5,000</u>	<u>565,907</u>	<u>(4,476)</u>	
Cash balances, end of year	\$ <u>520,062</u>	\$ <u>49,240</u>	\$ <u>567,748</u>	\$ <u>(20,798)</u>	
<b>Cash Basis Fund Balances</b>					
Nonspendable - Cemetery perpetual care	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
Restricted for:					
Streets	-0-	-0-	-0-	-0-	
Urban renewal purposes	-0-	49,240	-0-	-0-	
Other purposes	31,784	-0-	567,748	-0-	
Unassigned	488,278	-0-	-0-	(20,798)	
Total cash basis fund balances	\$ <u>520,062</u>	\$ <u>49,240</u>	\$ <u>567,748</u>	\$ <u>(20,798)</u>	

See notes to financial statements.

EXHIBIT B

Capital Projects				Other Non-major Governmental Funds	Total
Streetscape	Pedestrian Bridge	Housing	2014 Street Improvements		
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 130,433	\$ 422,299
-0-	-0-	-0-	-0-	-0-	921,991
-0-	-0-	-0-	-0-	339,589	342,931
-0-	-0-	-0-	-0-	-0-	13,065
-0-	-0-	-0-	-0-	7,350	28,750
-0-	151,545	-0-	266,196	185,938	788,597
-0-	-0-	351,265	-0-	-0-	789,375
-0-	-0-	-0-	-0-	-0-	42,368
-0-	-0-	-0-	-0-	14,115	135,003
-0-	151,545	351,265	266,196	677,425	3,484,379
-0-	-0-	-0-	-0-	48,114	261,361
-0-	-0-	-0-	-0-	46,373	492,924
-0-	-0-	-0-	-0-	-0-	10,821
-0-	-0-	-0-	-0-	82,753	644,946
-0-	-0-	-0-	-0-	12,887	217,576
-0-	-0-	-0-	-0-	59,454	323,011
-0-	-0-	-0-	-0-	-0-	503,015
40,815	383,116	45,509	867,293	452,130	1,788,863
40,815	383,116	45,509	867,293	701,711	4,242,517
(40,815)	(231,571)	305,756	(601,097)	(24,286)	(758,138)
-0-	-0-	46,272	-0-	-0-	56,294
-0-	42,163	-0-	472,641	-0-	514,804
119,342	110,000	-0-	-0-	392,025	1,850,469
-0-	-0-	-0-	-0-	(512,516)	(1,460,474)
119,342	152,163	46,272	472,641	(120,491)	961,093
78,527	(79,408)	352,028	(128,456)	(144,777)	202,955
211,043	147,770	69,183	(123,702)	463,368	1,758,873
\$ 289,570	\$ 68,362	\$ 421,211	\$ (252,158)	\$ 318,591	\$ 1,961,828
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 124,614
-0-	-0-	-0-	-0-	98,791	98,791
-0-	-0-	-0-	-0-	-0-	49,240
289,570	68,362	421,211	-0-	462,422	1,716,483
-0-	-0-	-0-	(252,158)	(242,622)	(27,300)
\$ 289,570	\$ 68,362	\$ 421,211	\$ (252,158)	\$ 318,591	\$ 1,961,828





## CITY OF AVOCA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 368,166	\$ 303,363	\$ 671,529
Miscellaneous	1,361	-0-	1,361
Total operating receipts	369,527	303,363	672,890
Operating disbursements:			
Business type activities	182,371	197,306	379,677
Total operating disbursements	182,371	197,306	379,677
Excess of operating receipts over operating disbursements	187,156	106,057	293,213
Non-operating receipts (disbursements):			
Meter deposits	15,900	-0-	15,900
Meter deposit refunds	(5,273)	-0-	(5,273)
Miscellaneous	-0-	114,529	114,529
Net non-operating receipts (disbursements)	10,627	114,529	125,156
Excess of receipts over disbursements	197,783	220,586	418,369
Operating transfers out	(180,096)	(209,899)	(389,995)
Change in cash balance	17,687	10,687	28,374
Cash balances, beginning of year	107,645	367,489	475,134
Cash balances, end of year	\$ 125,332	\$ 378,176	\$ 503,508
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 125,332	\$ 378,176	\$ 503,508
Total cash basis fund balances	\$ 125,332	\$ 378,176	\$ 503,508

See notes to financial statements.



## **NOTES TO FINANCIAL STATEMENTS**



**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(1) Summary of Significant Accounting Policies**

The City of Avoca is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Avoca has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board and commissions: Pottawattamie County Assessor's Conference Board, City Assessor's Conference Board and Pottawattamie County Emergency Management Commission.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(1) Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation - Continued**

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provision or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, or use directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(11) Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation - Continued**

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Library Trust Fund is used to account for the investments and related activity of the Library Trust.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is used to account for the payment of interest and principal on the city's general long-term debt.

The Capital Projects Fund is used to account for construction projects of the City.

**The City reports the following major proprietary funds:**

The Enterprise, Water Fund accounts for the operation and maintenance of the City's waterworks system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Avoca maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. As of June 30, 2015, disbursements exceed amounts budgeted in the public works, health and social services, capital projects and business type activities functions.

**F. Property Tax Calendar**

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City as collected on a monthly basis.



**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(2) Cash and Pooled Investments**

The City's deposits in bank at June 30, 2015, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions and two managed accounts in the City's name totaled \$2,465,336 as of June 30, 2015.

At June 30, 2015, the City had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Discover Bank, Greenwood DE Certificate of Deposit	\$ 53,144	\$ 53,003	October 31, 2016
GE Capital Retail Bank Draper, UT, Certificate of Deposit	48,337	48,003	March 21, 2017
Goldman Sachs Bank USA New York, NY Certificate of Deposit	45,271	45,005	Sep 25, 2015
Pottawattamie County Community Foundation	<u>451,562</u>	<u>392,062</u>	NA
Total	\$ <u>598,314</u>	\$ <u>538,073</u>	

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation bonds and notes, revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds and Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,952,678	\$ 110,140	\$ 146,731	\$ 58,995	\$ 2,099,409	\$ 169,135
2017	220,803	45,696	148,735	54,611	369,538	100,307
2018	192,239	37,237	150,792	49,894	343,031	87,131
2019	198,231	30,065	157,903	45,028	356,134	75,093
2020	127,834	23,734	85,070	41,436	212,904	65,170
2021	115,195	18,518	87,294	39,212	202,489	57,730
2022	95,000	13,515	89,576	36,930	184,576	50,445
2023	100,000	9,430	91,919	34,587	191,919	44,017
2024	105,000	4,830	94,323	32,183	199,323	37,013
2025	-0-	-0-	96,790	29,716	96,790	29,716
2026	-0-	-0-	99,323	27,183	99,323	27,183
2027	-0-	-0-	101,921	24,585	101,921	24,585
2028	-0-	-0-	104,589	21,917	104,589	21,917
2029	-0-	-0-	107,327	19,179	107,327	19,179
2030	-0-	-0-	110,137	16,369	110,137	16,369
2031	-0-	-0-	111,891	13,485	111,891	13,485
2032	-0-	-0-	88,284	10,527	88,284	10,527
2033	-0-	-0-	90,491	8,320	90,491	8,320
2034	-0-	-0-	92,754	6,057	92,754	6,057
2035	-0-	-0-	95,072	3,739	95,072	3,739
2036	-0-	-0-	54,473	1,362	54,473	1,362
Total	\$ 3,106,980	\$ 293,165	\$ 2,205,395	\$ 575,315	\$ 5,312,375	\$ 868,480

The Code of Iowa requires that principal and interest on general obligation bonds and notes be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$4.3 million which was not exceeded during the year ended June 30, 2015.

General Obligation Corporate Purpose and Refunding Bonds, Series 2009

On May 1, 2009, the City issued bonds to finance water projects and to refund a prior bond issue. The \$1,450,000 bonds bear interest ranging from 1.75% to 4.60%, require semiannual installments of interest and annual retirement of bonds (ranging from \$75,000 to \$110,000 annually), and mature June 1, 2024. The bonds are callable after June 1, 2016.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(3) Bonds and Notes Payable (Continued)**

General Obligation Ambulance Note, 2012

On April 23, 2012, the City financed the purchase of an ambulance with a local bank. The \$175,000 note bears interest at 5.00%, requires semiannual installments of \$39,866, and matures July 1, 2017.

General Obligation School Area Street and Storm Sewer Project Note, 2012

On January 20, 2012, the City entered into two loan agreements with a local bank for the School Area Street and Storm Sewer Project. Two notes of \$250,000 each bear interest at 3.20% and 3.26%, respectively. Each note requires annual principal payments of \$35,714, plus applicable interest semiannually, and matures December 1, 2018.

General Obligation Side Walk Repair Note, 2012

On February 23, 2012, the City entered into a loan agreement with a local bank to finance the Side Walk Repair Project. The \$150,000 note bears interest at 3.42%, requires annual principal payments of \$18,750, plus applicable interest semiannually, and matures December 1, 2019.

General Obligation Corporate Purpose Revolving Note, 2012

On August 27, 2012, the City entered into a revolving loan agreement with a local bank for short-term funding of City projects awaiting permanent financing. The note of \$1,500,000 bears interest at 3.25% on the balance of the revolving note, requires periodic payments of principal and interest, and matures August 27, 2017.

General Obligation Corporate Purpose Revolving Note, 2014

On March 1, 2014, the City entered into a revolving loan agreement with a local bank for sidewalk improvements. The \$155,000 note bears interest at 4.50%, requires periodic payments of principal and interest, and matures June 1, 2021.

Water Revenue Bonds, Series 2010

On June 1, 2010, the City issued \$600,000 of bonds to finance improvements to the waterworks. The bonds bear interest ranging from 2.00% to 3.80%, require annual principal and semi-annual interest installments ranging from \$77,850 to \$80,270 and mature June 1, 2019. The bonds are callable at par after June 1, 2016.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(3) Bonds and Notes Payable (Continued)**

Storm Water Revenue USDA Rural Development Note, 2010

On December 30, 2010, the City financed storm water improvements with a \$412,000 note with USDA Rural Development. The note bears interest at 3.00%, requires annual installments of principal and interest of \$27,695, and matures December 1, 2030.

Sanitary Sewer Revenue USDA Rural Development Note, 2011

On August 2, 2011, the City entered into a loan agreement with USDA Rural Development to finance improvements to the sanitary sewer system. The note of \$1,767,000 bears interest at 2.50%, requires annual installments of \$98,811 principal and interest, and matures June 1, 2036.

Revenue Note Resolutions

The resolutions providing for the issuance of the USDA Rural Development notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c) Additional monthly transfers shall be made to separate reserve accounts within the Enterprise Funds for the purpose of paying for any additional improvements, extensions or repairs to the system.

At June 30, 2015, the City is not in compliance with the provisions of the USDA Rural Development notes.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(4) Pension and Retirement Benefits**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employee's Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

A multiplier (based on years of service).

The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(4) Pension and Retirement Benefits (Continued)**

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$207,597. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0052436 percent, which was a decrease of 0.0000331 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$19,054, \$12,591 and \$107,913, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(4) Pension and Retirement Benefits (Continued)**

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(4) Pension and Retirement Benefits (Continued)**

Sensitivity of the City's proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$454,650	\$249,891	\$114,307

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 10 active and -0- retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark from January through June 2015. The medical/prescription drug benefits were provided through a fully-insured plan with CoOpportunity from July through December 2014.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$297 for single coverage and \$1,161 for family coverage. For the year ended June 30, 2015, the City contributed \$128,963 and plan members eligible for benefits contributed \$-0- to the plan.



**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick time termination payments payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u> <u>June 30, 2015</u>
Vacation	\$ 16,410
Sick time	42,816
	<u>\$ 59,226</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

**(7) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$2,499 during the year ended June 30, 2014. For the year ended June 30, 2015, the City had transactions between the City and relatives of appointed City board members totaling \$163,980. Of this total, \$122,937 was from awarded contracts through competitive bidding.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

Transfer to	Transfer from	Amount
General	Library Trust	\$ 4,342
General	Local Option	121,348
General	Road Use	165,709
General	Emergency	7,145
General	Hotel/Motel	96,966
General	Water	90,000
General	Sewer	70,000
General	Urban Renewal TIF #1	25,731
Employee Benefits	Urban Renewal TIF #1	125,000
Local Option	Urban Renewal TIF #1	121,348
Urban Renewal TIF #1	Debt Service	36,959
Urban Renewal TIF #2	Urban Renewal TIF #1	18,031
Debt Service	Water	90,096
Debt Service	Sewer	139,899
Debt Service	Urban Renewal	216,528
Capital Projects - Fire Reserve	Urban Renewal	100,000
Capital Projects - Streetscape	Urban Renewal	119,342
Capital Projects - South School	Urban Renewal	67,025
Capital Projects - Pedestrian Bridge	Urban Renewal	110,000
Capital Projects - Park	Urban Renewal	100,000
General	General	25,000
Total		\$ <u>1,850,469</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(9) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at the level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent years member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$42,082.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's



**CITY OF AVOCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**(9) Risk Management (Continued)**

risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation in the amount of \$4,609. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Deficit Balance**

The Debt Service Fund had a deficit balance of \$20,798 at June 30, 2015. Four Capital Projects Funds had a combined deficit of \$494,780. The deficit balance was the result of project costs incurred prior to availability of funds. The deficits will be eliminated by transfers from other funds and receipt of note proceeds.



## **OTHER INFORMATION**

**CITY OF AVOCA**  
**BUDGETARY COMPARISON SCHEDULE**  
**OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

**OTHER INFORMATION**

**YEAR ENDED JUNE 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 422,299	\$ -0-
Tax increment financing	921,991	-0-
Other city tax	342,931	-0-
Licenses and permits	13,065	-0-
Use of money and permits	28,750	-0-
Intergovernmental	788,597	-0-
Charges for services	789,375	803,319
Special assessments	42,368	-0-
Miscellaneous	135,003	-0-
Total receipts	<u>3,484,379</u>	<u>803,319</u>
Disbursements:		
Public safety	261,361	-0-
Public works	492,924	-0-
Health and social services	10,821	-0-
Culture and recreation	644,946	-0-
Community and economic development	217,576	-0-
General government	323,011	-0-
Debt service	503,015	-0-
Capital projects	1,788,863	-0-
Business type	-0-	384,950
Total disbursements	<u>4,242,517</u>	<u>384,950</u>
Excess (deficiency) of receipts over (under) disbursements	(758,138)	418,369
Other financing sources, net	<u>961,093</u>	<u>(389,995)</u>
Excess (deficiency) of receipts and other financing sources	202,955	28,374
Balance beginning of year	<u>1,758,873</u>	<u>475,134</u>
Balance end of year	\$ <u>1,961,828</u>	\$ <u>503,508</u>

See Accompanying Independent Auditor's Report.



		Budgeted Amounts		Final to
Total		Original & Final		Total
				Variance
\$	422,299	\$	405,645	\$ 16,654
	921,991		949,000	(27,009)
	342,931		326,613	16,318
	13,065		25,900	(12,835)
	28,750		50,376	(21,626)
	788,597		258,785	529,812
	1,592,694		1,373,391	219,303
	42,368		2,000	40,368
	135,003		61,000	74,003
	<u>4,287,698</u>		<u>3,452,710</u>	<u>834,988</u>
	261,361		284,380	23,019
	492,924		346,709	(146,215)
	10,821		6,250	(4,571)
	644,946		845,813	200,867
	217,576		467,100	249,524
	323,011		327,331	4,320
	503,015		518,102	15,087
	1,788,863		729,090	(1,059,773)
	384,950		257,475	(127,475)
	<u>4,627,467</u>		<u>3,782,250</u>	<u>(845,217)</u>
	(339,769)		(329,540)	(10,229)
	<u>571,098</u>		<u>479,090</u>	<u>92,008</u>
	231,329		149,550	81,779
	<u>2,234,007</u>		<u>2,234,007</u>	<u>-0-</u>
\$	<u>2,465,336</u>	\$	<u>2,383,557</u>	\$ <u>81,779</u>

## **CITY OF AVOCA**

### **NOTES TO OTHER INFORMATION - BUDGETARY REPORTING**

**JUNE 30, 2015**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the year.

For the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works, health and social services, capital projects and business type activities functions.

**CITY OF AVOCA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST FISCAL YEAR**

**OTHER INFORMATION**

	<u>2015</u>
City's proportion of the net pension liability	0.0052436%
City's proportionate share of the net pension liability	\$ 207,957
City's covered-employee payroll	\$ 448,543
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.36%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

The amounts presented were determined as of June 30, 2015.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF AVOCA  
SCHEDULE OF CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR  
OTHER INFORMATION**

	<u>2015</u>
Statutorily required contribution	\$ 41,153
Contributions in relation to the statutorily required contribution	\$ <u>41,153</u>
Contribution deficiency (excess)	\$ <u>-0-</u>
City's covered-employee payroll	\$ 448,543
Contributions as a percentage of covered-employee payroll	9.17%

See accompanying independent auditor's report.

## CITY OF AVOCA

### NOTES TO OTHER INFORMATION - PENSION LIABILITY

#### YEAR ENDED JUNE 30, 2015

##### Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

##### Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most agrees.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.



Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.

- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

- Lowered the inflation assumption from 3.50 percent to 3.25 percent.

- Lowered disability rates for sheriffs and deputies and protection occupation members.





## **SUPPLEMENTARY INFORMATION**

**CITY OF AVOCA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue					
	Hotel Motel	Road Use Tax	Employee Benefits	Emergency	Local Option	Vets Memorial
Receipts:						
Property tax	\$ -0-	\$ -0-	\$ 123,430	\$ 7,003	\$ -0-	\$ -0-
Other city tax	96,965	-0-	-0-	-0-	242,624	-0-
Use of money	-0-	-0-	-0-	-0-	72	-0-
Intergovernmental	-0-	165,709	5,087	142	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-	-0-	200
Total receipts	96,965	165,709	128,517	7,145	242,696	200
Disbursements:						
Operating:						
Public safety	-0-	-0-	48,114	-0-	-0-	-0-
Public works	-0-	-0-	46,197	-0-	-0-	176
Culture and recreation	-0-	-0-	77,932	-0-	-0-	-0-
Community & economic dev	-0-	-0-	12,887	-0-	-0-	-0-
General government	-0-	-0-	59,454	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-	-0-	-0-	-0-
Total disbursements	-0-	-0-	244,584	-0-	-0-	176
Excess (deficiency) of receipts over (under) disbursements	96,965	165,709	(116,067)	7,145	242,696	24
Other financing sources (uses):						
Operating transfers in	-0-	-0-	125,000	-0-	-0-	-0-
Operating transfers out	(96,966)	(165,709)	-0-	(7,145)	(242,696)	-0-
Net financing sources (uses)	(96,966)	(165,709)	125,000	(7,145)	(242,696)	-0-
Net change in cash balances	(1)	-0-	8,933	-0-	-0-	24
Cash balances beginning of year	29	98,791	(5,801)	-0-	184,419	1,869
Cash balances end year	\$ 28	\$ 98,791	\$ 3,132	\$ -0-	\$ 184,419	\$ 1,893
<b>Cash Basis Fund Balances</b>						
Restricted for other purposes	\$ 28	\$ 98,791	\$ 3,132	\$ -0-	\$ 184,419	\$ 1,893
Unassigned	-0-	-0-	-0-	-0-	-0-	-0-
Total cash basis fund balances	\$ 28	\$ 98,791	\$ 3,132	\$ -0-	\$ 184,419	\$ 1,893

See Accompanying Independent Auditor's Report.

Capital Projects					
Fire Capital Reserve	2015 Street Project	Curtis Street	Sewer	South School	Park
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
5,000	-0-	-0-	-0-	-0-	10,000
12,480	-0-	-0-	-0-	-0-	-0-
<u>17,480</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,000</u>
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
73,960	161,894	2,000	62,959	82,794	68,523
<u>73,960</u>	<u>161,894</u>	<u>2,000</u>	<u>62,959</u>	<u>82,794</u>	<u>68,523</u>
(56,480)	(161,894)	(2,000)	(62,959)	(82,794)	(58,523)
100,000	-0-	-0-	-0-	67,025	100,000
-0-	-0-	-0-	-0-	-0-	-0-
<u>100,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>67,025</u>	<u>100,000</u>
43,520	(161,894)	(2,000)	(62,959)	(15,769)	41,477
63,339	-0-	-0-	(15,769)	15,769	-0-
<u>\$ 106,859</u>	<u>\$ (161,894)</u>	<u>\$ (2,000)</u>	<u>(78,728)</u>	<u>\$ -0-</u>	<u>\$ 41,477</u>
\$ 106,859	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 41,477
-0-	(161,894)	(2,000)	(78,728)	-0-	-0-
<u>\$ 106,859</u>	<u>\$ (161,894)</u>	<u>\$ (2,000)</u>	<u>(78,728)</u>	<u>\$ -0-</u>	<u>\$ 41,477</u>



SCHEDULE 1

Permanent		
Perpetual Care	Cemetery Trust	Total
\$ -0-	\$ -0-	\$ 130,433
-0-	-0-	339,589
6,042	1,236	7,350
-0-	-0-	185,938
1,435	-0-	14,115
<u>7,477</u>	<u>1,236</u>	<u>677,425</u>
-0-	-0-	48,114
-0-	-0-	46,373
4,821	-0-	82,753
-0-	-0-	12,887
-0-	-0-	59,454
-0-	-0-	452,130
<u>4,821</u>	<u>-0-</u>	<u>701,711</u>
2,656	1,236	(24,286)
-0-	-0-	392,025
-0-	-0-	(512,516)
<u>-0-</u>	<u>-0-</u>	<u>(120,491)</u>
2,656	1,236	(144,777)
<u>45,394</u>	<u>75,328</u>	<u>463,368</u>
\$ <u>48,050</u>	\$ <u>76,564</u>	\$ <u>318,591</u>
\$ 48,050	\$ 76,564	\$ 561,213
-0-	-0-	(242,622)
\$ <u>48,050</u>	\$ <u>76,564</u>	\$ <u>318,591</u>

**CITY OF AVOCA**  
**SCHEDULE OF INDEBTEDNESS**

**JUNE 30, 2015**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds and notes:			
Refunding Bonds	December 1, 2009	1.75% to 4.60%	\$ 1,450,000
Ambulance Note	April 23, 2012	4.50%	\$ 175,000
Revolving Note-Capital Projects	August 27, 2012	3.25%	\$ 1,500,000
School Area Streets & Storm Sewer	January 20, 2012	3.20% & 3.26%	\$ 500,000
Sidewalk Improvement	January 20, 2012	3.42%	\$ 150,000
Revolving Note	March 1, 2014	4.50%	\$ 155,000
Revenue Bonds and Notes:			
Water Revenue Bond	June 1, 2010	2.00% to 3.80%	\$ 600,000
Storm Water Note	December 30, 2010	3.00%	\$ 412,000
Sanitary Sewer Improvement Note	August 2, 2011	2.50%	\$ 1,767,000

See Accompanying Independent Auditor's Report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 870,000	\$ -0-	\$ 75,000	\$ 795,000	\$ 36,005	\$ 2,782
100,950	-0-	34,935	66,015	4,931	244
1,216,010	514,803	-0-	1,730,813	16,626	9,375
357,143	-0-	71,428	285,715	10,529	1,799
112,500	-0-	18,750	93,750	3,577	269
155,000	-0-	19,313	135,687	6,994	468
\$ <u>2,811,603</u>	\$ <u>514,803</u>	\$ <u>219,426</u>	\$ <u>3,106,980</u>	\$ <u>78,662</u>	\$ <u>14,937</u>
\$ 350,000	\$ -0-	\$ 65,000	\$ 285,000	\$ 12,220	\$ 856
363,528	-0-	16,757	346,771	10,938	2,882
1,628,260	-0-	54,636	1,573,624	44,175	6,579
\$ <u>2,341,788</u>	\$ <u>-0-</u>	\$ <u>136,393</u>	\$ <u>2,205,395</u>	\$ <u>67,333</u>	\$ <u>10,317</u>

**CITY OF AVOCA**  
**DEBT MATURITIES**

**JUNE 30, 2015**

Year Ending June 30,	General Obligation Refunding Bonds Issued December 1, 2009		General Obligation Revolving Note Issued March 1, 2014		General Obligation Ambulance Note Issued April 23, 2012	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2016	3.50%	\$ 75,000	4.5%	\$ 20,185	4.5%	\$ 36,501
2017	4.00%	80,000	4.5%	21,110	4.5%	29,514
2018	4.00%	80,000	4.5%	22,060	--	-0-
2019	4.10%	85,000	4.5%	23,053	--	-0-
2020	4.10%	85,000	4.5%	24,084	--	-0-
2021	4.30%	90,000	4.5%	25,195	--	-0-
2022	4.30%	95,000	--	-0-	--	-0-
2023	4.60%	100,000	--	-0-	--	-0-
2024	4.60%	105,000	--	-0-	--	-0-
Total		\$ <u>795,000</u>		\$ <u>135,687</u>		\$ <u>66,015</u>

Year Ending June 30,	General Obligation Revolving Note Issued August 27, 2012		General Obligation School Area Notes Issued January 20, 2012		General Obligation Sidewalk Note Issued January 20, 2012		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2016	3.25%	\$ 1,730,813	3.20-3.26%	\$ 71,429	3.42%	\$ 18,750	\$ 1,952,678
2017	--	-0-	3.20-3.26%	71,429	3.42%	18,750	220,803
2018	--	-0-	3.20-3.26%	71,429	3.42%	18,750	192,239
2019	--	-0-	3.20-3.26%	71,428	3.42%	18,750	198,231
2020	--	-0-	--	-0-	3.42%	18,750	127,834
2021	--	-0-	--	-0-	--	-0-	115,195
2022	--	-0-	--	-0-	--	-0-	95,000
2023	--	-0-	--	-0-	--	-0-	100,000
2024	--	-0-	--	-0-	--	-0-	105,000
Total		\$ <u>1,730,813</u>		\$ <u>285,715</u>		\$ <u>93,750</u>	\$ <u>3,106,980</u>

See Accompanying Independent Auditor's Report.



SCHEDULE 3

Year  Ending June 30,	Water Revenue Bond Issued June 1, 2010		Storm Water Note Issued December 30, 2012		Sanitary Sewer Note Issued August 2, 2011		Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2016	3.00%	\$ 70,000	3.00%	\$ 17,260	2.5%	\$ 59,471	\$ 146,731
2017	3.80%	70,000	3.00%	17,777	2.5%	60,958	148,735
2018	3.80%	70,000	3.00%	18,311	2.5%	62,481	150,792
2019	3.80%	75,000	3.00%	18,860	2.5%	64,043	157,903
2020	--	-0-	3.00%	19,426	2.5%	65,644	85,070
2021	--	-0-	3.00%	20,009	2.5%	67,285	87,294
2022	--	-0-	3.00%	20,609	2.5%	68,967	89,576
2023	--	-0-	3.00%	21,227	2.5%	70,692	91,919
2024	--	-0-	3.00%	21,864	2.5%	72,459	94,323
2025	--	-0-	3.00%	22,520	2.5%	74,270	96,790
2026	--	-0-	3.00%	23,196	2.5%	76,127	99,323
2027	--	-0-	3.00%	23,891	2.5%	78,030	101,921
2028	--	-0-	3.00%	24,608	2.5%	79,981	104,589
2029	--	-0-	3.00%	25,346	2.5%	81,981	107,327
2030	--	-0-	3.00%	26,107	2.5%	84,030	110,137
2031	--	-0-	3.00%	25,760	2.5%	86,131	111,891
2032	--	-0-	--	-0-	2.5%	88,284	88,284
2033	--	-0-	--	-0-	2.5%	90,491	90,491
2034	--	-0-	--	-0-	2.5%	92,754	92,754
2035	--	-0-	--	-0-	2.5%	95,072	95,072
2036	--	-0-	--	-0-	2.5%	54,473	54,473
Total		\$ <u>285,000</u>		\$ <u>346,771</u>		\$ <u>1,573,624</u>	\$ <u>2,205,395</u>



## CITY OF AVOCA

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS**

**FOR THE LAST FIVE YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:					
Property taxes	\$ 422,299	\$ 419,328	\$ 408,805	\$ 1,135,917	\$ 720,334
Tax increment financing	921,991	934,605	877,401	-0-	418,980
Other city taxes	342,931	409,885	-0-	248,030	271,985
License and permits	13,065	14,659	14,557	10,593	13,632
Use of money and property	28,750	14,758	71,191	32,936	26,425
Intergovernmental	788,597	34,976	1,380,781	432,304	1,040,750
Charges for service	1,478,165	1,297,462	378,513	1,147,298	937,025
Special assessments	42,368	2,350	1,881	9,315	910
Miscellaneous	<u>249,532</u>	<u>9,324</u>	<u>283,891</u>	<u>180,868</u>	<u>94,946</u>
Total	\$ <u>4,287,698</u>	\$ <u>3,137,347</u>	\$ <u>3,417,020</u>	\$ <u>3,197,261</u>	\$ <u>3,524,987</u>
Disbursements:					
Operating:					
Public safety	\$ 261,361	\$ 311,429	\$ 202,158	\$ 393,099	\$ 187,990
Public works	492,924	621,825	710,404	594,519	300,591
Health and social services	10,821	-0-	-0-	6,071	-0-
Culture and recreation	644,946	699,180	738,872	670,305	619,520
Comm and economic dev	217,576	616,854	483,135	407,012	676,364
General government	323,011	337,356	277,389	247,629	235,642
Debt service	503,015	520,533	2,085,936	420,416	274,630
Capital projects	1,788,863	1,420,588	2,859,163	1,644,889	1,046,835
Business type	<u>384,950</u>	<u>374,195</u>	<u>245,322</u>	<u>459,128</u>	<u>1,277,359</u>
Total	\$ <u>4,627,467</u>	\$ <u>4,901,960</u>	\$ <u>7,602,379</u>	\$ <u>4,843,068</u>	\$ <u>4,618,931</u>

See accompanying independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 21, 2016

**Lonnie G. Muxfeldt**  
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Iowa  
Missouri

INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARD

To the Honorable Mayor and  
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Avoca, Iowa, as of and for the year ended June 30, 2015. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Avoca's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Avoca's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Avoca's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control I consider to be material weaknesses.

Continued . . .

January 21, 2016  
Page Two

To the Honorable Mayor and  
Members of the City Council:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Avoca's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Avoca's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Continued . . .





January 21, 2016  
Page Three

To the Honorable Mayor and  
Members of the City Council

City of Avoca's Responses to the Findings

The City of Avoca's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Avoca's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Avoca during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Murphy & Associates, CPA, P.C.*



**CITY OF AVOCA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-15 Segregation of Duties**

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city administrator, full time city clerk, and a part time office clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response accepted.

**II-B-15 Monitoring the Budget**

Comment - Another important aspect of internal control over compliance with State law is the monitoring of the City's Budget. For the year ended June 30, 2015, the budget was not amended and disbursements exceeded the budget by material amounts.

Recommendation - City officials should consult the City's personnel manual to determine whose duty it is to prepare, present and monitor the City's budget. Once clarified, the responsible officials should perform their duties and monitor the budget for potential amendments.

Response - We will review the City's personnel manual concerning the City budget and perform our duties as outlined in the personnel manual.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**CITY OF AVOCA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015**

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15 Certified Budget - Disbursements during the year ended June 30, 2015, exceeded the amounts budgeted in the public works, health and social services, capital projects, and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, *Public monies may not be expended or encumbered except under an annual or continuing appropriation.*

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be monitored and amended timely in the future, if applicable.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 Business Transactions - Business transactions between the City and City officials or employees for the year ended June 30, 2015 are as follows:

Name, Title, and Business Connection	Transaction Description	Amount
J. Olesen, Park Board, Owner of Olesen Chevy-Olds, Inc.	Oil Change	\$ 146
Rodney Osbahr, Park Board, Owner of Rod Osbahr Excavation, L.L.C.	House Demolition	12,200
McCarthy Trenching, relative of Robert McCarthy, council member	Trenching	131,522
Lauren Guyer, Urban Renewal Board, Spouse of owner of Guyer Concrete & Wall Systems	Concrete Work	20,112
		<u>\$ 163,980</u>

**CITY OF AVOCA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015**

**II-D-15 Business Transactions (Continued)**

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Councilor, Urban Renewal and Park Board members may represent a conflict of interest since total transactions with the individual were greater than \$2,500 during the fiscal year.

The transactions involving construction contracts do not appear to represent a conflict of interest since they were entered into through competitive bidding.

Recommendation - The city should consult legal council to determine a course of action to resolve the issue.

Response - We will do this.

Conclusion - Response accepted.

**II-E-15 Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**II-F-15 Council Minutes** - No transactions were found that I believe should have been approved in the Council minutes but were not.

There was one instance where the minutes were not signed or published within the fifteen days after the meeting as per Chapter 372.13(6) of the Code of Iowa.

There was one instance where the code section cited for closed sessions in the minutes was incorrect.

Recommendation - The clerk should make sure that the minutes are published within the fifteen days as required by Chapter 372.13(6) of the Code of Iowa and that the correct code section is reported for closed sessions.

Response - We will adhere to the reporting requirements as required by the Code of Iowa in the future.

Conclusion - Response accepted.

**CITY OF AVOCA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015**

**Part II: Other Findings Related to Required Statutory Reporting (Continued):**

- II-G-15 Deposits and Investments - I noted one instance of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.

Recommendation - The City should adhere to the written investment policy as designated by the Council.

Response - We will adhere to the policy as written and will amend it in the future.

Conclusion - Response accepted.

- II-H-15 Revenue Bonds and Notes - No debt service reserves were established as required by two note agreements with USDA Rural Development.

Recommendation - The City should restrict funds to serve as debt service reserves, as required.

Response - Funds have been restricted. Debt service reserves have been established.

Conclusion - Response accepted.

- II-I-15 Annual Urban Renewal Report - The annual urban renewal report was approved but was not certified to the Iowa Department of Management on or before December 1. The report was filed December 16, 2014.

Recommendation - The City should file the annual urban renewal report timely.

Response - Reports will be filed timely in future.

Conclusion - Response accepted.

- II-J-15 Tax Increment Financing - Chapter 403.19 of the Code of Iowa provides that a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Urban Renewal Area TIF Indebtedness was certified to the County Auditor before December 1, and no exceptions were noted.

**CITY OF AVOCA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015**

**Part II: Other Findings Related to Required Statutory Reporting (Continued):**

II-K-15 Financial Condition - The Debt Service Fund had a deficit balance of \$20,798 at June 30, 2015. Four Capital Projects had a combined deficit balance of \$494,780 at June 30, 2015.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to sound financial positions.

Response - The projects referred to straddle several fiscal years. The combined deficit was due to construction cost incurred prior to receipt of funds. The Debt Service Fund deficit will be eliminated by transfers from other funds.

Conclusion - Response accepted.

II-L-15 Unsubstantiated Disbursements - It was noted that not all debit/credit card charges for fuel were substantiated.

Recommendation - Disbursements should be substantiated with appropriate documentation.

Response - Debit/credit card charges will be appropriately substantiated in the future.

Conclusion - Response accepted.





CITY OF AVOCA  
AVOCA, IOWA 51521  
**NEWS RELEASE**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Avoca, Iowa.

The City's receipts totaled \$4,858,796 for the year ended June 30, 2015, a four percent increase from the prior year. The receipts included \$422,299 from property tax, \$921,991 from tax incremental financing, \$1,652,213 from charges for services, \$297,436 from operating grants, contributions and restricted interest, \$532,741 from capital grants, contributions and restricted interest, \$242,624 from local option sales tax, \$6,901 from unrestricted interest on investments, \$514,803 from note proceeds and \$267,788 from other general receipts.

Disbursements for the year totaled \$4,627,467, a six percent decrease from the prior year, and included \$1,788,863 for capital projects, \$644,946 for culture and recreation, and \$492,924 for public works. Disbursements for business-type activities totaled \$384,950.

The City increased its cash basis net position by \$231,329, or 10 percent from 2014.

A copy of the audit report is available for review in the City Clerk's office, in the office of the Auditor of State and on the Auditor of State's web site <http://auditor.iowa.gov/reports/reports.htm>.

